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INFO RUEHAC/AMEMBASSY ASUNCION 5907
RUEHBO/AMEMBASSY BOGOTA 3220
RUEHBR/AMEMBASSY BRASILIA 7068
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SENSITIVE
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STATE FOR WHA/AND LPETRONI
STATE PASS TO USTR FOR BHARMAN
COMMERCE FOR JANGLIN
TREASURY FOR SGOOCH

E.O. 12958: N/A

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SUBJECT: EU AWAITS ANDEAN COMMUNITY STANCE TOWARD TRADE
TALKS

¶1. (U) Summary: At a June 8 breakfast, the European Commission Delegation's chief trade representative said the European Union (EU) would await a clear Andean Community stance toward trade talks before pursuing association agreement negotiations. EU member states hope to see consensus emerge after the June 13-14 Andean Community meeting in Quito. With a clear statement of the group's desire to initiate association agreement negotiations, the trade representative said, the EU could consider moving ahead with discussions later this year. End summary.

¶2. (U) At a June 8 breakfast, Angel Gutierrez, Chief of the Political, Economic, and Commercial Section of the European Commission Delegation in Bolivia, said the European Union (EU) would await a clear Andean Community stance toward trade talks before pursuing association agreement negotiations. Gutierrez noted that Venezuela's April 22 withdrawal from the Andean Community had thrown the group into disarray and said members displayed clear divisions over the group's external trade policies at the May 11-13 EU-Latin America and the Caribbean Summit in Vienna. In light of such disunity, Gutierrez said, EU member states hesitated to push for trade talks.

¶3. (U) EU members hope to see consensus emerge after the June 13-14 Andean Community meeting in Quito, at which bloc members expect to debate their positions toward international commercial exchange and the EU's proposed association agreement. Gutierrez said he hoped Bolivia and its counterparts would "put their house in order" and forge a common position on foreign trade. He explained that the EU preferred multilateral to bilateral negotiations and would consider talks only on a multilateral basis.

¶4. (U) With a clear statement of the Andean Community's desire to initiate association agreement negotiations, Gutierrez said, the EU could consider moving ahead with

discussions later this year. EU member states have proposed replacing existing Generalized System of Preferences benefits - under which 90 percent of Bolivian exports to the EU, including textiles and some agricultural goods, already enter EU markets duty-free - with a customs union. The EU would seek common external tariffs, uniform customs administration, common trade policies, and lower intraregional non-tariff barriers to trade.

¶5. (SBU) Comment: Gutierrez suggested the Andean Community's lack of consensus could be an obstacle to opening association agreement negotiations but stopped short of completely discounting the possibility. It appears the EU genuinely hopes to begin discussions, even if the current outlook is uncertain. End comment.

GREENLEE